

Approved For Release 2003/02/27 : CIA-RDP78-01617A005800020035-5

DIA and DOS review(s) completed.

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20 MAY 1946

TOP SECRET
CONFIDENTIAL
EUROPE

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1. RUMANIA: Pre-election terror increasing--General Schuyler, US delegate ACC, reports a sharp increase of political violence in Bucharest. Conditions in the Rumanian capital are now approaching those of the provinces where opponents of the Groza Government have been subjected to organized terror by the (Communist-dominated) National Democratic Front [REDACTED]

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US Minister Berry was recently informed by Maniu that members of his conservative Peasant Party would soon have to decide whether to accept extermination by the Communists or "return violence with violence." Maniu declared that free elections would be impossible without foreign observers, and asked that the US send such observers.

2. RUMANIA: Soviet reply to US protest on property seizure--General Susaikov, Soviet Deputy Chairman ACC, has told General Schuyler that the ACC "should not intercede" to prevent seizure by Rumania of US property under the nationalization provisions of the agrarian reform law (the US had protested this seizure on 5 April; [REDACTED])

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[REDACTED] Susaikov contends that (a) although the companies involved are US-owned, they are still "Rumanian juridical persons" and as Rumanian-owned companies subject to the same laws; and (b) their seizure, therefore, does not violate those Armistice terms which prohibit confiscation by Rumania of United Nations property. Schuyler comments that this reasoning might permit the Soviets to refuse claims by US-owned companies for war damages and recommends that the seizure be taken up directly with Moscow.

3. POLAND: Dissolution of Polish Peasant Party feared--Karol Popiel, head of the opposition Christian Labor Party, has told Charge Keith that the Polish Provisional Government originally planned to dissolve the Polish Peasant Party by 1 June, but will defer action because of the US loan, the conciliatory British attitude on gold negotiations and the need for US and UK support to counter Czech territorial demands. Popiel expects measures against the Polish Peasant Party to increase, although suppression may not be as rapid as originally planned. He adds that final authority in the Provisional Government rests with "a very small group" in the Communist Party Executive Committee.

Document No. 035NO CHANGE in Class. ☐☐ DECLASSIFIEDClass. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

DDA REG. 77/1763

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Date: 14 MAR 1970

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4. HUNGARY: Soviet-Hungarian bank proposed--A prominent Hungarian banker and industrialist has informed Minister Schoenfeld that proposals for the creation of a joint Soviet-Hungarian bank were submitted to Soviet authorities four weeks ago by a Hungarian Communist banking official. The plan, said to have been formulated with the assistance of an official of the Soviet Economic Section ACC, calls for a capital of ten million gold pengoe, one half to be contributed by the USSR from German assets in Hungary assigned to the USSR under the Potsdam agreement.
5. ALBANIA: Attack on British warships--According to the US political representative in Caserta, CINCMED has reported to AFHQ that on 15 May Albanian shore batteries fired on two British warships en route from Trieste to Corfu. The fire was not returned and there were no hits. The British Foreign Office has (a) informed the Albanian Government that it expects an immediate public apology for this "outrageous action," with assurance that the persons responsible will be severely punished, and (b) deferred notification to the Albanian Government that British officials were prepared to resume diplomatic relations.
6. ITALY: AMG enclave in Venice proposed--General Harding, Commander XIII Corps, has told AFHQ, according to the US political representative in Caserta, that recent events in Venice demonstrate the inability of local Italian authorities to maintain order [REDACTED] 25X1
[REDACTED] In view of the importance of Venice to the administration of XIII Corps, "particularly in event of operations," Harding has requested SAC authorization to draw up an emergency plan for an AMG enclave covering the port and depot area of Venice.
7. FRANCE: Unwillingness to observe Greek plebiscite--Bidault has indicated to both Caffery and Bevin his reluctance to join with the US and British in sending observers to the Greek plebiscite.
8. IRAN: Qavam's attitude--Ambassador Allen reports that information received on 18 May indicated that Qavam would instruct Ala to tell the Security Council that all Soviet troops have left Iran. Allen adds that there is some evidence that Qavam wishes to "terminate the Security Council aspect of the case" in order to relieve himself of embarrassment in his relations with the Soviet Ambassador.

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9. FRANCE: Socialists avoid joint ceremony with Communists--Caffery reports that the Socialist Party, for the first time in many years, will not participate in a historic ceremony which it normally stages with the Communists on the last Sunday in May. The Socialists believe that the joint "manifestation" on the eve of elections would injure their electoral position.
10. NETHERLANDS: No change in NEI policy expected--The Dutch Minister of Foreign Affairs has informed Ambassador Hornbeck that the Catholic Party election victory is not expected to alter present official policy toward the NEI.

FAR EAST

11. CHINA: Approves US draft treaty on Japanese disarmament--According to Embassy Nanking, General Marshall has been informed by Foreign Minister Wang that the Chinese Government (a) fully supports the US draft treaty on the disarmament and demilitarization of Japan and (b) believes that the actual date for terminating Allied occupation of Japan "should be a matter for consultation and agreement among the contracting parties."
12. CHINA: Shipping request for Chinese troops to relieve Marines--The Commanding General, US Army Forces in China, reports that the Chinese National Government has requested that two additional armies (5th and 26th) be transported by US ships to North China to relieve the US Marine 3rd Amphibious Corps. The request has been referred to General Marshall.
13. CHINA: Communist activities in Shanghai--The Commanding General, US Army Forces, reports that, according to usually reliable sources, the Chinese Communists have established a "Shanghai Municipal Committee" with functions corresponding to the Kuomintang's Shanghai Municipal Council. The Communist "Committee" maintains close undercover liaison with Soviet agents and is intended to form the nucleus of a city government should the Chinese Communist Party gain control.

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